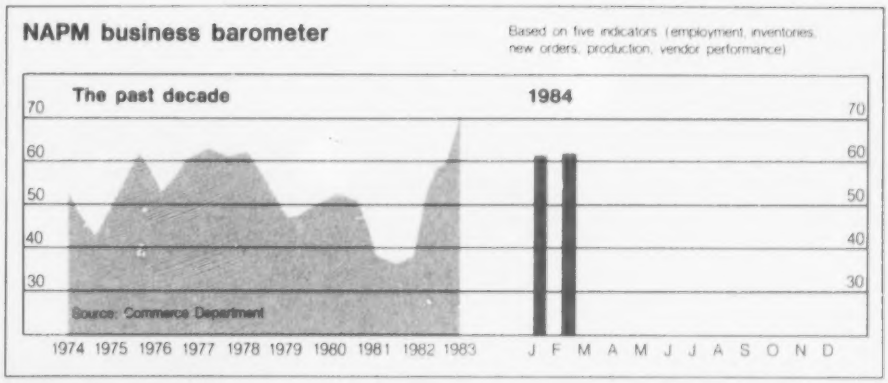
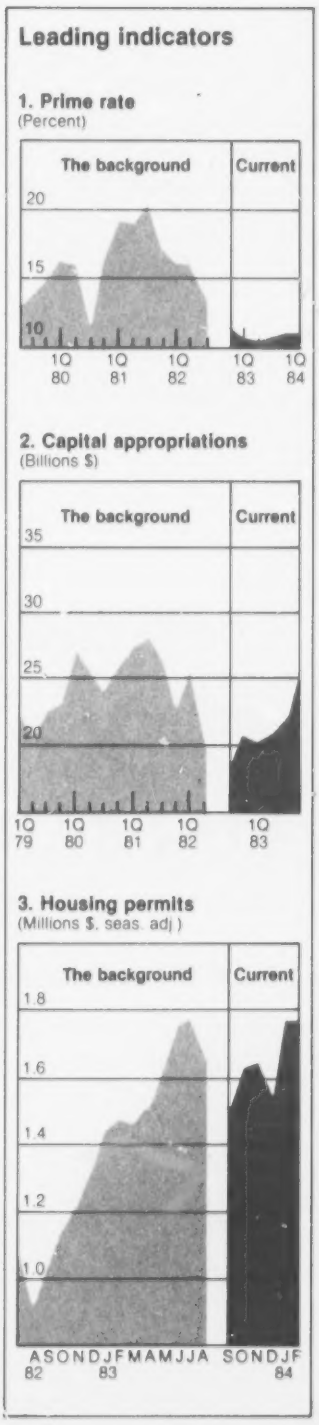
BUSINESS DATATRAK


NAPM business barometer
Based on five indicators (employment, inventories, new orders, production, vendor performance)
The past decade
1984
70
60
50
40
30
Source: Commerce Department
1974 1975 1976 1977 1978 1979 1980 1981 1982 1983
J F M A M J J A S O N D



KEY ECONOMIC TRENDS

Strong gains in spending seen

The economy is still moving up at a fairly brisk clip—despite budget deficit worries and an extremely nervous stock market.

Probably the most encouraging sign is the continuing strength in the NAPM Business Barometer (chart above), a yardstick of overall activity some 2-3 months into the future. The latest reading is put at 61.5—virtually unchanged from the previous month and more than 11 points above the neutral 50 level.

Inventories also suggest a healthy economy. Stocks, while they clearly have begun to inch ahead, haven't nearly been able to keep pace with sales. Result: a continuing decline in inventory-sales ratios.

At latest report, for example, the combined stocks of manufacturers, wholesalers, and retailers came to only a bit over a 1.3-month supply. That's pretty close to rockbottom and substantially under the close-to-1.55 reading hit back at the end of 1982. If nothing else, it means that any final demand gains over the next few months will have to be met by new production, thus giving activity a further upward jab.

This doesn't mean, of course, that there aren't pitfalls ahead. But they may be exaggerated as far as their nearterm impact is concerned. Although the media continue to talk up the threat of high interest rates, there has been as yet no major spurt (see top chart alongside).

Meantime, all the demand spigots seem to be wide open. And that also goes for the one sector that until recently has been dragging its feet—plant and equipment spending.

The good news here is seen at two levels: (1) the authorization level, where capital appropriations (as measured by The Conference Board) have recently jumped a resounding 13% (see center chart), and (2) the actual spending level, where a new McGraw-Hill survey points to a big 17% rise in 1984 outlays—up substantially from the 9.4% estimate made just three months earlier.

The bullish housing outlook is further verified by housing permits, a lead indicator of actual starts. Right now, these building authorizations are running at close to a 1.8 million annual rate (see bottom chart)—just about confirming earlier forecasts for a 1.7-1.8 million-unit housing start year.

If nothing else, all the good news suggests that GNP gains will continue on the robust side, with first- and second-quarter increases at an annual rate in the quite-respectable 4-5% range. And even if there's some deceleration after that, the average 1984 advance (vis a vis 1983) still looks to be a bit in excess of 5%—not all

that bad for the second year of a recovery.

Check seasonal swings in leads

Don't forget seasonal swings when appraising vendor delivery performances or overall purchased material inventory levels.

Month-to-month variations in these key procurement barometers can be considerable. Take, for example, NAPM's speed-of-delivery yardstick. It can vary as much as 6% depending upon the time of year the goods are ordered (see accompanying chart).

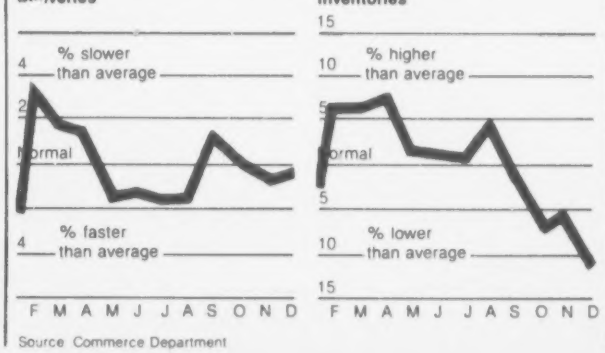
The actual variation, based on a new Commerce Department analysis, suggests that the shortest leadtimes can be expected in January and during the late spring-early summer season. On the other hand, deliveries are likely to be almost 4% slower than average in February.

The seasonal adjustment factors for inventories display a somewhat different pattern, with the low point in holdings (as measured by the NAPM percentages of those adding to and subtracting from stocks) put in December. At that time, inventories are normally 11.5% below average—a figure that makes a lot of sense given (1) normal paring at that time to meet pre-Christmas production schedules and (2) the year-end inventory-tax payments faced by many manufacturing firms.

Contrast the low December inventory reading to that of March when stocks generally run 7.5% above normal. In any event, it's important to keep in mind that inventories over the year can swing a huge 19% and could lead to wrong evaluations for those tending to look only at actual tonnages on the shelves.

By the same token, taking reported delivery performance reports at face value could also lead to possibly wrong conclusions. Thus, if your February deliveries were arriving 6% slower than in January, there would be no need to panic. This would be "normal," or to be expected. The only cause for worry would be if the February slowdown were much more pronounced—say, something in the order of 10%.

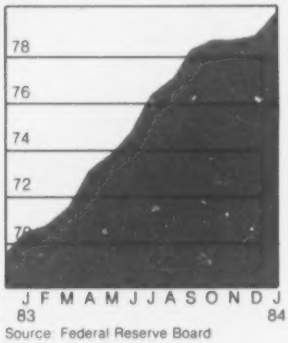
Purchasing: The seasonal ups and downs



Source: Commerce Department

Industrial operating rates

Overall picture
(Percent of rated capacity)



Source: Federal Reserve Board

Industry by industry
(Current rate)

Stone, clay, glass	75%
Steel	68%
Nonferrous metals	80%
Fabricated metal products	72%
Nonelectrical machinery	71%
Electrical machinery	90%
Automotive	83%
Aerospace & transportation	72%
Instruments	76%
Textiles	89%
Paper	97%
Chemicals	73%
Petroleum products	75%
Rubber & plastics products	91%
Mining	76%
Utilities	84%

Pressure growing for new capital spending

There may still be some idle production capacity around, but the elbow room for a further expansion in overall demand may have narrowed considerably.

Over the past year or so, for example, the average factory operating rate has climbed from a low of just under 70% to something near the 80% level at present (see chart). And if you look at some specific sectors, such as paper, producers are already turning out material at well over 95% of their potential. In addition, several other industries are flirting with the 90% mark.

All this is not to say that things are tight, or that they will be getting tight in the quarters immediately ahead. What the new readings do imply, however, is that there will have to be some stepup in plant and equipment spending pretty soon, if there's to be enough capacity to keep the recovery going strong into 1985 and 1986 without encountering serious bottlenecks or accelerating price increases.

Perhaps the best indication that a stepup in capital spending will be needed before too long comes from comparing current projections for industrial production and capacity additions. By the end of the year, for example, industrial output is expected to be up another 4-5% vis a vis current (first-quarter 1984) levels.

Superimpose this forecast on an estimated capacity addition of only around 2% over the same period of time, and the magic 85% cutoff point between ample and no-so-ample capacity may not be all that far away. Also, keep in mind that when the average operating rate approaches 85%, there will be an increasing number of individual industries moving close to or into the 90%-plus range.

CURRENT PRICES

Price increases picking up

Price increases are now beginning to come in at a somewhat faster clip.

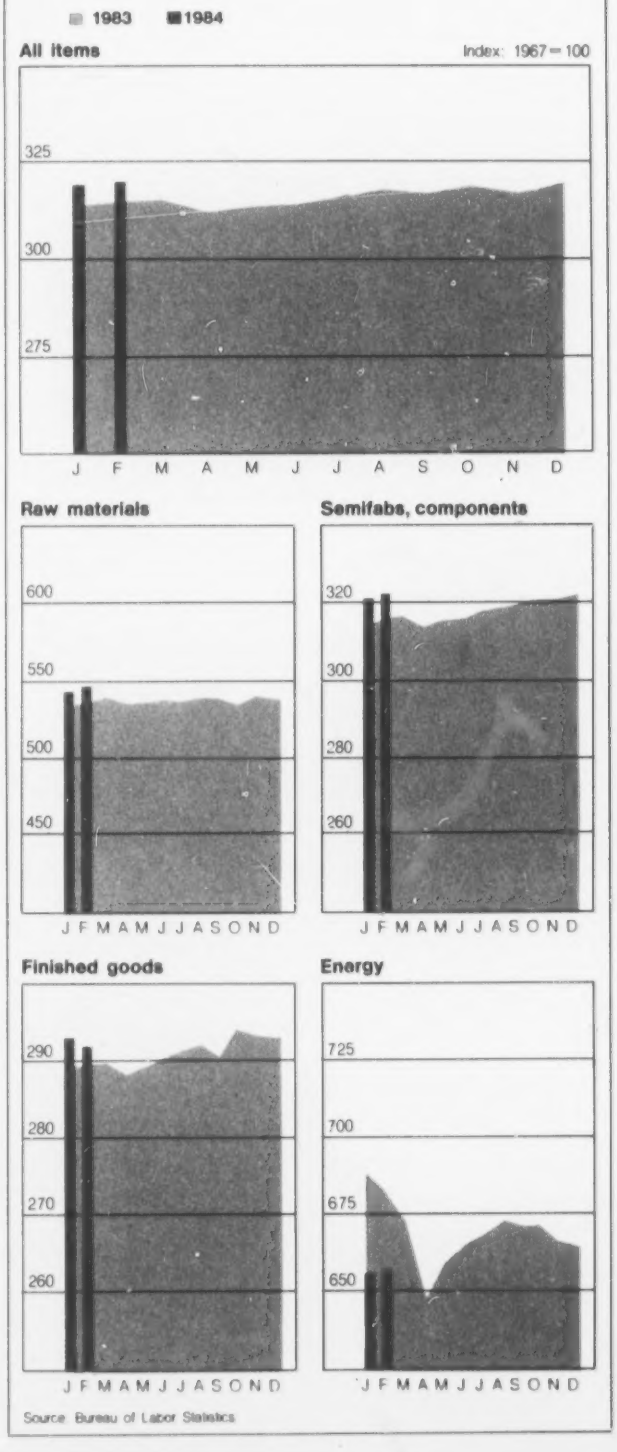
To be sure, there's little to suggest any big, new spiral. But it's hard not to read some significance into the first quarter's 4% annual rate of rise in overall industrial producer prices—the biggest such boost in three years.

Equally noteworthy is the fact that, at latest report, price increases were outnumbering declines by a close-to-3:1 margin—again, something that hasn't happened in several years. And not even these numbers tell the whole story. This list-oriented in-

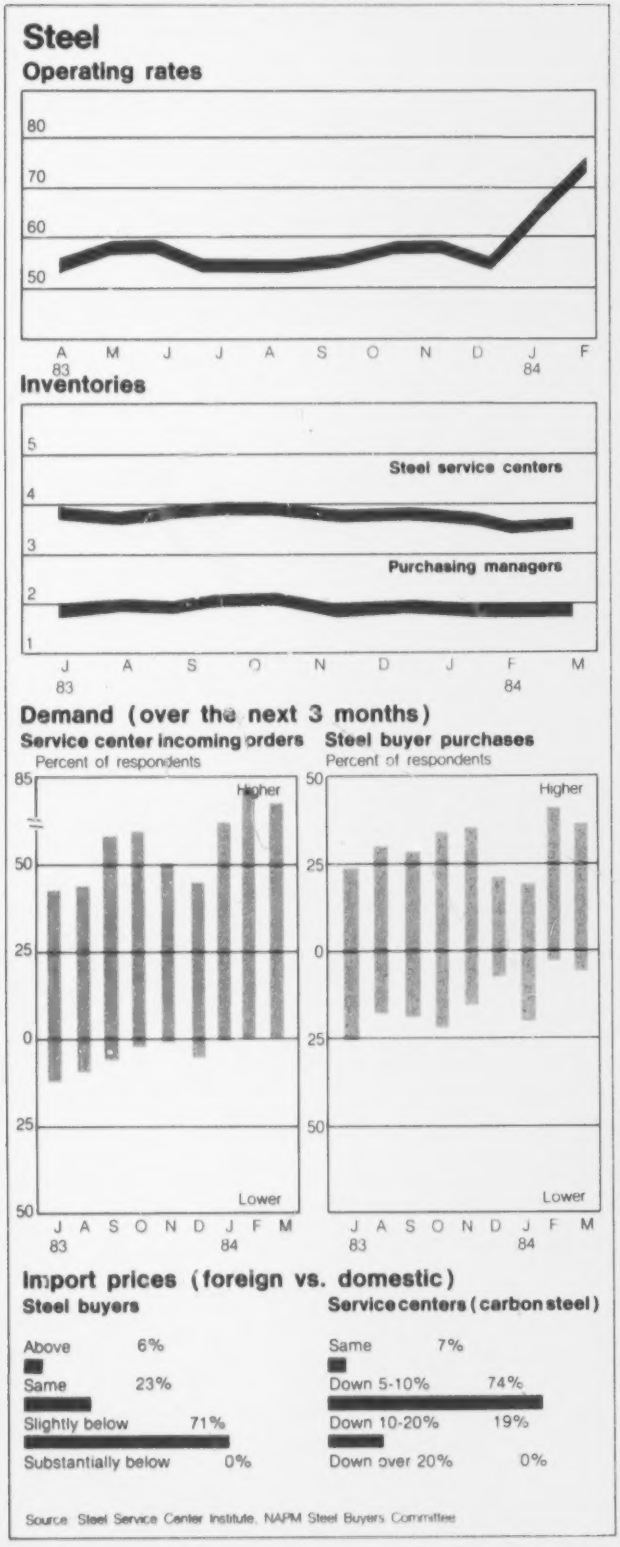
This month's breakdown

	Latest level (Jan)	% change from: Month ago	Year ago
Bearings	335.6	0.7	1.4
Bolts, nuts, etc	271.0	0.0	0.6
Chemicals, inorganic	289.6	−0.3	−3.3
Chemicals, organic	376.1	1.2	5.1
Concrete products	305.6	0.6	2.1
Corrugated cartons	249.3	0.0	3.1
Cutting tools, small	279.9	0.4	1.1
Electrical instruments	274.8	0.0	7.9
Electric lamps (bulbs)	331.4	1.3	11.4
Electronic components	188.2	0.6	5.4
Fans and blowers	337.6	0.5	0.2
Foundry and forge products	354.4	0.4	2.2
Fuel oil (residual)	1164.8	−1.7	10.2
Furniture, commercial	290.8	0.1	3.5
Gasoline	570.3	−2.9	−9.3
Glass, flat	229.5	−0.2	−0.1
Glass containers	351.0	0.0	−1.6
Gypsum products	328.5	2.2	24.9
Hand tools	352.9	0.5	1.6
Hand tools, power driven	222.2	0.6	0.5
Industrial furnaces	370.2	0.3	3.7
Integrating and measuring instruments	225.8	0.1	3.9
Internal combustion engines	344.3	0.5	2.2
Lubricating oil	749.9	0.8	−3.1
Lumber millwork	308.5	0.0	5.0
Material handling equipment	287.0	0.2	0.5
Metal containers	344.5	1.9	5.1
Metal mill shapes (nonferrous)	315.2	−0.1	2.6
Metal tanks	304.9	0.3	−0.8
Motors and generators	337.3	0.4	5.1
Motor trucks (10,000 lb and under)	280.4	0.1	2.5
Office and store equipment	155.8	0.6	1.1
Paperboard	262.2	1.0	7.8
Paper boxes and shipping containers	252.6	0.2	1.7
Paper office supplies	231.5	1.8	2.1
Paint	265.7	0.3	0.4
Plastic resins	304.2	2.0	7.2
Precision measuring tools	245.4	0.4	1.3
Pumps and compressors	346.1	−0.1	1.1
Refractories	355.0	0.2	5.1
Rubber belts and belting	332.2	−0.6	2.8
Scales and balances	228.0	−0.1	0.0
Steel products	268.8	−0.2	1.1
Switchgear	359.5	0.9	5.2
Textiles, synthetic fibers	159.2	0.6	1.6
Textiles, gray fabrics	152.8	0.7	5.8
Tires and tubes	242.9	0.0	−4.8
Transformers and power regulators	223.4	−0.2	1.4
Welding equipment	276.1	1.1	−1.1
Wire and cable	201.8	0.1	0.3

Industrial prices at a glance



Source: Bureau of Labor Statistics



dex is probably failing to pick up all of today's narrowing discounts.

Generally speaking, the firming has been most pronounced in crude materials. Averages here, for example, are currently running 2-3% ahead of levels prevailing a year earlier, compared to the 1% increase in finished goods noted over the same 12-month period.

The machinery and equipment category, which has been marking time this past year, should soon begin to move up—especially if new projections calling for a 10%-or-higher increase in 1984 capital goods demand proves to be anywhere near correct.

These trends shouldn't be interpreted to mean that double-digit industrial price hikes are just around the corner. They do mean, however, that the typical buyer will face higher tags on more and more products in the months ahead. And the average rate of increase is likely to accelerate into the 5-6% range at an annual rate by the fourth quarter.

STEEL SCENE

Solid gains expected for steel

First-quarter steel gains were no temporary aberration. So say a growing number of purchasing managers and service centers, with both groups anticipating even better performances over the April-June period.

An impressive 36% of buyers responding to the latest NAPM steel survey, for exanple, expect to increase their purchases of the metal over the next three months. That's some six times the small 6% who feel they may cut back a bit.

Most service centers responding to the latest Steel Service Center Institute (SSCI) survey tell much the same story. Specifically, three out of four see nearterm increases in their companies' sales—with all of the remaining respondents anticipating stable rather than falling order totals.

Individual responses suggest that the uptrend will continue into the second half, too—though there are some reservations about the long run (1985 and beyond).

How much of an overall gain for 1984 then? Most service centers tend to put the increase in the 10% or slightly higher range.

Andrew G. Sharkey, SSCI president, is a shade more conservative. He now figures on an 8.5% increase, which would put overall distributor sales at around the 19-million-ton mark—all on top of last year's hefty 20% advance.

He and others admit, however, that up until now not all products have been faring equally as well. While plate and structurals have lagged a bit, most flat-rolled items (including cold-rolled, galvanized, and other coated sheets) have been moving

exceptionally well—so well, in fact, that leads in these latter areas have stretched considerably.

Indeed, there's even some concern about possible tightness. A scattering of service centers see problems in the cold-rolled and coated sheet sectors, with one or two also expressing some concern about stainless.

Perhaps the most eye-opening figure on buyer concern is the fact that only 59% of the respondents now say they are worry-free as far as supplies are concerned. That compares to 73% at the beginning of the current year and the near-100% reading of just one year ago.

But worried or not, few seem inclined to build up inventories. Days' supply is actually continuing to decline (see chart). Moreover, more buyers and service centers still rate their stocks as being "too high" rather than as being "too low."

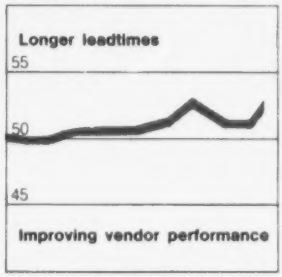
Their nearterm plans reflect this appraisal, too. On the buyer's front, for example, the number planning to pare stocks over the next six months still exceeds those contemplating additions—though the gap has been narrowing. And in the steel service center sphere, those planning on reductions just about balance out those planning on further additions.

Both groups also seem to agree that import bargains are now a bit harder to come by. For the first time in years, for instance, not a single steel buyer finds that foreign mills are offering prices significantly under domestic levels.

Monthly procurement status report

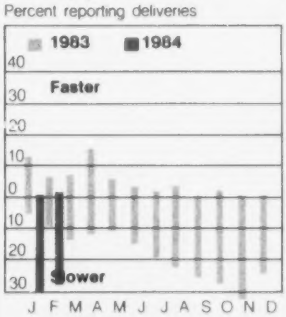
Leadtime index

A 'diffusion' index based on 158 key commodities. Above '50' indicates a tendency for leadtimes to stretch out. Below '50' suggests improving vendor performance.

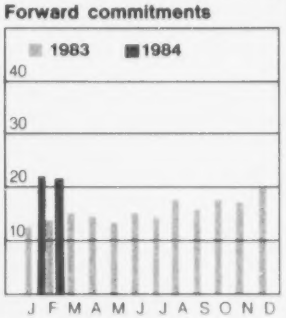


Delivery performance

Percent reporting deliveries

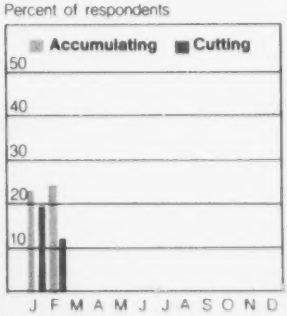


Forward commitments



Inventory strategy

Percent of respondents



Source: NAPM

PROCUREMENT STATUS

Leadtimes continue to lengthen

Leadtimes, while still in the tolerable range for most product lines, continue their slow stretchout.

Blame it on a combination of factors: (1) the fact that many suppliers have not geared up quickly enough to meet expanded demand, (2) the gradual disappearance of excess production capacity, and (3) the lingering effects of recent bad winter weather in many areas of the country.

The latter, in fact, is part and parcel of a normal seasonal slowdown during the first quarter of every year. February and March shipments generally run 2-4% slower than normal.

A look at the close-to-150 individual product lines monitored by *PW* tells much the same story. More than one-third of the items are now sporting leadtimes longer than they were a year ago. And the slowdown encompasses a broad spectrum of industrial product lines, including such key items as steel, paper, plastic resins, and electronic components.

Confirmation of the stretchout also comes from NAPM's speed-of-delivery survey. At last report, for example, some 27% of the respondents were experiencing somewhat slower deliveries, with only 2% noting a speedup. Again, this is a long-running phenomenon, with slowdowns topping speedups for upwards of a year now.

But no one is pushing the panic button. One reason is that the overall new-order pace is expected to slow down a bit this spring and summer. Equally significant, more and more vendors are beginning to raise their capital spending sights—a trend that suggests new capacity may soon be ready to come on stream at a slightly faster clip.

In short, while things may not get better, they're not likely to get much worse.

Leadtimes and availability

Chicago: A whole spate of extensions here, with these new, higher leads noted (in weeks): printed circuit boards (8-26), plastic film laminations (16-20), wrapping paper (3-8), coated/galvanized steel (9-12), heavy steel plates (6), light steel plates (6), aluminum coil and sheet (14-16), brass coil and sheet (12-18).

Cleveland: Cold-finished aluminum is now out to 12-14 weeks. Other typical waiting times: corrugated boxes (3), folding boxes (4), 2-ply fiber drums (2), paint (3-5), polyethylene and PVC (3), and most alloying materials (on demand), glassines and greaseproof papers (4-5), lumber (3), plastic shrink film (3).

Los Angeles: A fair number of stretchouts here, to these new weekly levels: galvanized steel (20), electromechanical devices (8-10), fasteners (6), stainless steel (16), heavy-duty steel (14), aluminum sheet and pipe (17), electric cable (22-26), electronic hardware (6-8), passive components (24-32).

BUSINESS DATATRAK

Houston: Not all that much change this month, with these weekly leads generally prevailing: mill steel (4), service center steel (1), structural steel (13-18), shop-fabricated alloy steel pipe (13-26), small cast-steel valves (0-13), forgings (4-6), MRO supplies (3), electric and electronic components (8), air compressors (4-6).

Philadelphia: Electronic parts continue to move out to these new, longer weekly leads: single-sided PC boards (6-8), custom keyboards (16-20), linear transistor logic ICs (22), multiconductor cable (18-20), electrolytic capacitors (24-36), carbon steel bar rounds from the mill (6-8). Microprocessors are in a bit.

Pittsburgh: Polyethylene and PVC resins remain in the relatively high 5-week range. Ditto maintenance paints. Other prevailing waits: steel strapping (2-3), silicon (4), magnesium (6), zinc (4), plastic bags (3-4), multiwall bags (6), all types of drums (6), lumber (3-4), waterproof paper (8), and laminating paper (6-9).

Leadtimes (in weeks)

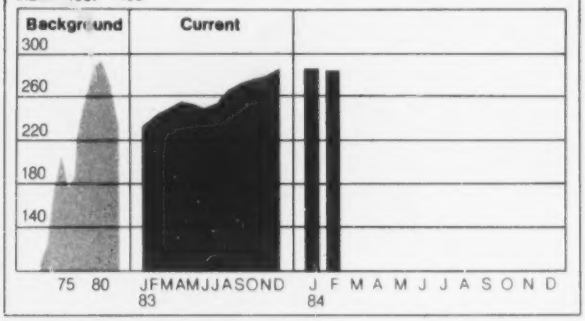
	Now	Month ago	Six months ago
STEEL			
Sheet (Phil)	9	9	7
C-R Sheet (Chgo)	8	8½	10
Plate (Phil)	10	10	4½
Plate (Chgo)	6	4	2½
Reinforced (Hous)	6	6	6
H-R Bars (Phil)	7	4½	4½
H-R Bars (Chgo)	3	3	2½
Cold-Drawn Bars (Phil)	4½	4½	4½
Galvanized (LA)	20	20	5½
Galvanized (Chgo)	9	7	7
Structurals (Chgo)	2½	2½	2½
Structurals (Hous)	17	17	17
Tubing (Phil)	7	7	6
Grey Iron Castings (LA)	6	6	8½
Steel Castings (Hous)	11½	11½	11½
Forgings (Hous)	7	7	7
Pipe, Carbon (Hous)	13	13	13
ELECTRIC & ELECTRONIC			
Cables (Chgo)	8½	8½	8½
Capacitors (Chgo)	16	16	13
Circuit Breakers (Chgo)	6	6	6
Electromech. Devices (LA)	9	9	8
ICs (Linear) (Phil)	20	20	11
Motors (Phil)	21	21	21
Motors, 1000 hp & Up (Hous)	39	39	39
Printed Circuit Boards (Chgo)	17	12	7
Relays (Chgo)	15	15	15
Resistors (Chgo)	10	10	10
Resistors, Wirebound (Phil)	10	9	10
Transformers (Chgo)	10	10	10
LUMBER			
Hardwood (Pgh)	3	3	3
Hardwood (Clev)	3½	3½	3½
Plywood (Chgo)	1½	1½	2
Plywood (Phil)	1½	1½	1½
Softwood (Clev)	3	3	3
Softwood (Phil)	1/5	1/5	1/5
Softwood (Pgh)	3	3	3
Particleboard (Phil)	2½	2½	2½
CHEMICALS-PLASTICS			
Adhesives (LA)	½	½	½
Napthalene (Chgo)	2	2	2
Paint (LA)	4	4	5
Paint, Coil Coating (Pgh)	4	4	4
Paint, Maint. (Cleve)	3	3	2
Polyester Resin (LA)	2	2	2
Polyethylene Resin (Cleve)	3	3	2½
Polyethylene Resin (Pgh)	4	4	4
PVC Resin (Chgo)	2	2½	2½
PVC Resin (Pgh)	4	4	4
Titanium Dioxide (LA)	1	1	1
PACKAGING			
Bags, Kraft (Pgh)	5	5	5
Bags, Multiwall (Clev)	9	9	9
Bags, Multiwall (Pgh)	6	6	6
Cartons, Corrugated (Cleve)	3	3	3
Cartons, Corrugated (Hous)	3	3	3
Cartons, Folding (Phil)	6½	6½	6½
Cartons, Folding (Pgh)	3½	3½	3½
Cellophane Wrap (Phil)	5	5	5
Plastic Bags (Pgh)	3½	3½	3½
Plastic Pkg. (Pgh)	3	3	3
Shrink Film (Chgo)	4	4	4
Shrink Film (Clev)	3	3	3
Drums, Fiber (Pgh)	1	1	1
Drums, Steel, Std. (Pgh)	1	1	1
Wood Pallets (Chgo)	2½	2½	2½
Wirebound Boxes (Pgh)	4½	4½	4½
Strapping (Clev)	2½	2½	2½
Strapping (Pgh)	3	3	3
PAPER			
Fiberboard (Clev)	3½	3½	3½
Glassine (Clev)	4½	4½	4½
Glassine (Pgh)	5½	5½	5½
Groundwood (Clev)	4½	4½	4½
Groundwood (Pgh)	7	7	7
Kraft (Clev)	1	1	1
Kraft, Bleached (Clev)	1	1	1
Kraft, Bleached (Pgh)	5	5	5
Kraft, Natural MFNS (Clev)	1	1	1
Laminated (Clev)	8	8	8
Tissue (Pgh)	5½	5½	5½
NON-FERROUS			
Aluminum Coil (Chgo)	15	11	11
Aluminum Plate (Chgo)	9	9	9
Aluminum Sheet (LA)	4½	4½	4½
Aluminum Sheet (Chgo)	15	14	14
Brass Castings (LA)	7	7	8½
Brass Rods (Chgo)	3½	3½	3½
Brass Sheet (Chgo)	15	13	6½
Brass Tube (Chgo)	9	9	6½
Copper Fittings (LA)	3½	3½	5½
Copper Mill Prod. (Pgh)	6	6	6
Copper Tube (LA)	5½	5½	6½
Copper Tube (Phil)	6	6	6
Lead (Pgh)	2	2	2
Magnesium (Pgh)	6	6	2
Manganese (Clev)	1	1	1
Nickel (Clev)	1	1	1
Nickel (Pgh)	2	2	2
Silicon (Clev)	1	1	1
Tin (Pgh)	3	3	3
Wire, Specialty (LA)	6	6	5
Zinc (Pgh)	6	6	2
MISCELLANEOUS			
Bearings, Domestic (Phil)	2½	2½	12
Bearings, Foreign (Phil)	26	26	26
Boilers & Furnaces (Hous)	35	35	35
Compressors, Centrifugal (Hous)	52	52	52
Compressors, Reciproc. (Hous)	39	39	39
Fasteners (Chgo)	1½	1½	½
Fasteners (LA)	6	6	4
Fasteners, Std. (Phil)	2	2	2
Heat Exchangers, Carbon-alloy Steel (Hous)	20	20	20
Heat Exchangers, Hi-pressure (Hous)	21	21	21
Insulation Mat'l. (LA)	7	7	8½
Machined Parts (Hous)	9	9	9
Pipes & Valves (Chgo)	2	2	1½
Pumps (Hous)	39	39	41
Pumps (LA)	9	9	4½
Rubber, Synthetic (LA)	2	2	2
Rubber Hose (LA)	4	4	4
Tungsten Carbide Parts (Hous)	15	15	15
Valves, Cast Steel (Hous)	6½	6½	8
Welding Supplies (Hous)	5	5	5

BUSINESS DATATRAK

Raw material price barometer

Latest month	283.0
Month before	283.6
Year ago	241.3

Index: 1967 = 100



Latest spot market prices

	Latest price	Previous month	Year ago
FERROUS METALS			
Pig iron, basic, valley, gross ton	213.00	213.00	213.00
Pig iron, Bessemer, Pitts., gross ton	213.00	213.00	213.00
Steel, billets, Pitts., net ton	347.00	347.00	347.00
Steel, structural shapes, Pitts., cwt.	23.90	23.90	23.90
Steel, structural shapes, Chi., cwt.	23.90	23.90	23.90
Steel, structural shapes, Los Angeles, cwt.	24.40	24.40	24.40
Steel, bars, dlvd. Phila., cwt., merchant quality	17.50	17.50	17.50
Steel, bars, Pitts., cwt.	17.50	17.50	17.50
Steel, bars, C.R., Pitts., cwt.	26.00	26.00	26.00
Steel, plates, Pitts., cwt.	23.25	23.25	23.75
Steel, plates, H.R., Pitts., cwt.	23.25	23.25	23.75
Steel, sheets, C.R., Detroit, cwt.	27.10	27.10	26.15
Steel, strip, C.R., Chi., cwt.	35.30	35.30	29.05
Steel, basic wire, Pitts., cwt.	23.65	23.65	23.65
NONFERROUS			
Aluminum, ingot, lb. (market place)	0.715	0.745	0.600
Antimony, in alloy, lb.	2.00	2.00	2.00
Beryllium-copper, cost ingot, lb.	5.20	5.20	4.95
Brass, red, 85%, [sheet], lb.	1.25	1.22	1.27
Brass, yellow, [sheet], lb.	1.20	1.17	1.23
Cadmium, ton lots, lb.	1.50	1.25	1.00
Copper, electrolytic, wire bars, refd., lb.	0.70	0.68	0.82
Copper sheet, over 24 in., lb.	1.34	1.31	1.38
Lead, common, N.Y., lb.	0.24	0.24	0.21
Magnesium, pig ingot, [99.8%], lb.	1.43	1.43	1.34
Mercury, 20 fl. lots, N.Y., fl.	300.00	292.00	345.00
Molybdenum Climax Oxide/bags, lb.	4.65	4.65	4.40
Nickel, electrolytic, producer, lb.	3.20	3.20	3.20
Platinum, producer, oz.	475.00	475.00	475.00
Silver, N.Y., oz.	9.82	8.75	10.31
Tin, Straights, N.Y., lb.	6.45	6.23	6.62
Zinc, Prime West, East St. Louis, lb.	0.51	0.51	0.38
Zinc, die casting alloy, No. 3, lb.	0.575	0.575	0.465
PAPER			
Uncoated book #3 offset, ton	810.00	810.00	710.00
Watermarked bond, ton	985.00	915.00	845.00
Gummed sealing tape, carton	15.45	15.45	15.70
Boxboard, mach. clay ctd. recycled sheets 80 bright, .016, ton	475.00	475.00	475.00
Wrapping paper, std. distributor cost, kraft, basis wt. 50 lb., roll	28.00	28.00	28.00
Kraft linerboard, 42 lb., unbleached, ton	320.00	320.00	250.00
TEXTILES			
Burlap, 10 oz., 40", N.Y., yd.	0.306	0.301	0.249
Cotton drill, 1.85, 59", 68x49, N.Y., yd.	1.03	1.02	0.95
Cotton middling, 1", N.Y., lb.	0.733	0.697	0.647
Printcloth, 48", 80x90, N.Y., spot yd.	0.80	0.85	0.60
Army duck, 37", 13 oz., yd.	1.79	1.79	1.60
Blended printcloth, 64", 78x54, yd.	0.725	0.720	0.670
20s combed yarns	2.14	2.14	1.68
Wool tops, N.Y., lb.	3.60	3.60	3.60

	Latest price	Previous month	Year ago
CHEMICALS			
Acrylonitrile, tanks, lb.	0.43	0.43	0.43
Ammonia, anhydrous, fertilizer, wholesale, tanks, ton	210.00	195.00	150.00
Benzene, petroleum, tanks, Houston, gal.	1.43	1.40	1.45
Caustic soda, 76% solid, drums, carlots, cwt.	26.00	26.00	26.00
Cresylic acid [ver 25%], tanks, lb.	0.58	0.58	0.66
Formaldehyde, USP, 37% [12% to 15% meth.], tanks, lb.	0.106	0.106	0.106
Glycerine, synthetic, tanks, lb.	0.81	0.81	0.73
Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants	0.450	0.450	0.715
Naphthalene, crude, tanks, lb.	0.22	0.22	0.22
Phthalic anhydride, tanks, lb.	0.305	0.305	0.255
Polyethylene resin, low density liner film grade (market price), lb.	0.42	0.42	0.29
Polypropylene, homopolymer grade (market price), lb.	0.41	0.41	0.35
Polystyrene, general purpose grade (market price) lb.	0.44	0.42	0.36
Shellac, bone dry, N.Y., lb.	1.65	1.65	1.65
Soda ask, 58%, light carlots, cwt.	6.15	6.15	6.15
Styrene monomer, 99.6%, tanks, lb.	0.35	0.35	0.35
Sulphur, crude, ex-terminal, Tampa, Fla., lt.	140.00	132.50	135.00
Sulphuric acid, 66%, commercial, tanks, ton	56.35	56.35	56.35
Titanium dioxide, anatase, reg., carlots lb.	0.69	0.69	0.69
Xylene tanks, gal.	1.35	1.35	1.45
BUILDING MATERIALS			
Lumber, 2x4 fir, mbf, cl	316.85	313.75	329.90
Lumber, 2x2, pine, mbf, cl	315.50	314.05	318.40
Plywood, plyform, ¾", msf, cl	582.05	559.55	540.30
Plywood, ⅜", msf, cl	384.10	348.50	350.70
Cement, bulk, ton, tl	62.44	62.35	62.57
Sand, ton, cl	6.13	6.15	5.93
Ready-mix concrete, 3,000 psi/cu.yd., 15 cu. yd.	45.47	45.80	45.64
Crushed stone, 1½", ton, cl	7.87	8.00	7.88
Concrete blocks, sand/gravel, 8"x8"x16", ea., tl	0.76	0.76	0.75
Gypsum sheathing, ½"x1"x8", msf, tl	199.34	198.97	160.36
Brick, common, per thousand, tl	172.78	172.50	172.95
Asphalt paving, AC-20	163.54	161.31	157.91
Concrete sewer pipe, 12", prem. joint, per foot, cl	6.79	6.79	6.78
FUELS			
Fuel oil, No. 6 or Bunker C, Gulf., bbl.	24.75	26.20	23.00
Fuel oil, No. 6 or Bunker C, N.Y., barge, bbl., reseller	32.15	32.90	27.75
Gasoline, 91 oct., reg., Los Angeles, rack, gal.	0.790	0.738	0.735
Gasoline, 94 oct., reg., Chi., tank car, gal.	0.805	0.808	0.810
Heating oil, No. 2, Chi., bulk, gal.	0.789	0.854	0.725
Heating oil, No. 2, N.Y., bulk, gal.	0.838	0.825	0.798
Heavy fuel, PS 400, Los Angeles, rack, bbl.	26.25	26.25	24.50
Jet kerosene, gal.	0.795	0.825	0.770
LP-Gas, propane, Okla., tank cars, gal. [incl. discount]	0.44	0.46	0.45
SCRAP MATERIALS			
Steel, No. 1, hvy., dlvd., Pitts., ton	100.00	105.00	78.00
Steel, No. 1, hvy., dlvd., Chi., ton	88.00	88.00	78.00
Copper, No. 1, East, wholesale buy, dlvd., lb.	0.625	0.590	0.700
Copper, No. 2, East, wholesale buy,	0.530	0.505	0.595
Brass, red, East, wholesale buy, dlvd., lb.	0.585	0.550	0.660
Brass, yellow, East, wholesale buy, dlvd., lb.	0.383	0.325	0.360
Alum., old sheet/cast, E., wholesale buy, dlvd., lb.	0.495	0.500	0.310
Alum., mixed clip., E., wholesale buy, dlvd., lb.	0.510	0.515	0.330
Zinc, old, East, wholesale buy, dlvd., lb.	0.185	0.185	0.080
Lead, clean solids, East, wholesale buy, dlvd., lb.	0.140	0.140	0.115
Paper, No. 1 mixed, dlr., N.Y., ton	Nom.	Nom.	Nom.
Paper, old corrug. box, dlr., Chi., ton	30.00	30.00	7.00
Paper, old corrug. box, dlr., N.Y., ton	27.00	25.00	6.00
Osnaburg cuttings, dlr., f.o.b. N.Y., lb.	0.13	0.13	0.10
White wipers, No. 1, dlr. buy, f.o.b. N.Y., lb.	0.34	0.34	N.A.

[Sources: Metals Week, Engineering News-Record (20-city averages), Platt's Oilgram Price Service.]

Transportation cost forecast

Carriers caught in cost-price squeeze

Look for carriers to start hyping rate schedules. But with price infighting still the order of the day, there should be plenty of opportunities to chip away at official tabs—enough in most cases to keep overall freight bills in the tolerable range.

Indeed, the average 1984 increase is now put at only around 6.5%—actually one-half a percentage point under advances projected just three months ago (***PW***, 12/83, p.54). This new optimistic forecast, the latest in a series of quarterly transportation reviews supplied to ***PurchasingWorld*** by Wharton Econometrics, is attributable to several factors, including:

- Excess capacity (many railcars, truck trailers, and barges still mothballed)
- Stiff competition (both within and among the various modes)
- Very modest fuel price boosts (5-6% projected over the current year)
- Stable wages (unions still being forced to grant concessions).

By 1985, however, some of these downward-tugging forces should disappear. Wage hikes, for example, seem inevitable by then. Ditto, some fuel cost acceleration. Add in better supply-demand balance, and the average 1985 boost could come close to 8.1%, a bit in excess of the anticipated general inflation rate.

Railroads: The industry is making a strong comeback, with good ton-mile gains reported over the past six months. Carriers have been able to take advantage of deregulation to improve their efficiencies and competitiveness through mergers and expansion of intermodal rates. As a result, they have captured a great majority of the increased traffic resulting from the economic recovery. Piggyback traffic has reached new alltime highs.

Rate hikes for railroads will be somewhat under anticipated overall freight averages (only about a 5.6% increase is seen for the current year). Next year's projected advance will also be somewhat under the all-freight average as rail tabs rise only about 7.5%.

Trucking: The industry continues to face major problems despite recent increases in traffic and earnings. For example, the truckers' share of intercity freight is falling, and tax burdens have increased because of (1) higher taxes on fuels and tires and (2) new "road use" taxes and licensing requirements.

Truckers will be able to boost rates an average of only 7.4% this year—about one-half a percentage point under estimates made three months ago. LTL rate hikes will be hard to come by following the 8% gains of 1982 and 1983 as more and more small and medium-sized carriers expand into longhaul LTL.

Barge: The status of this industry can be summed up in one word—*overcapacity*—despite some 1983 traffic gains. And adding to the industry's woes is Washington's push for legislation that would require the industry to pay 70% of the costs incurred by the Army Corps of Engineers for work on inland waterways.

These cost pressures should force about a 6.2% increase in barge tags this year, regardless of continuing competition. And the uptrend is expected to continue into 1985, when increases could average near 8%.

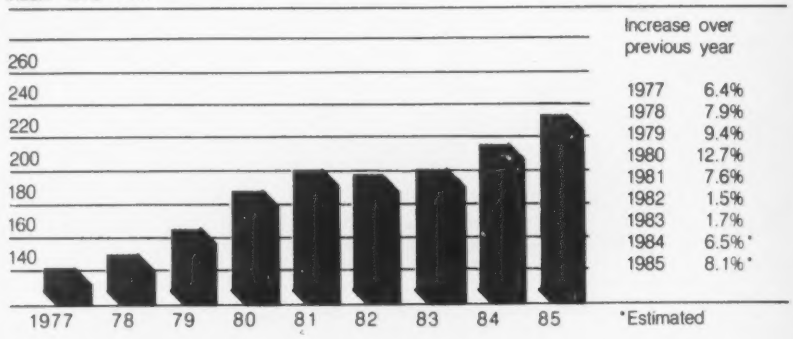
Air: This industry is again flying high. Domestic shipments jumped 25% last year, and another good (though smaller) advance is seen for 1984. Upshot: The average air freight tab could be up 7.7% this year.

But again, intense competition for smaller overnight shipments will limit almost all price increases to bulk shipments. Adding to this downward pressure is the fact that a number of foreign-based couriers are moving aggressively into the U.S. market.

PW

PurchasingWorld freight rate index

Index: 1972 = 100

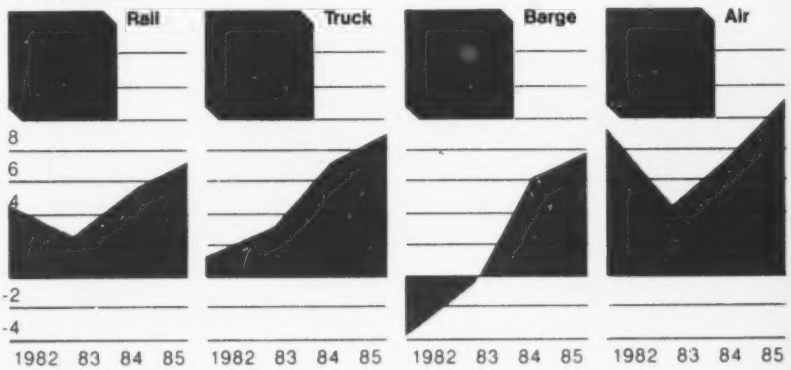


	Increase over previous year
1977	6.4%
1978	7.9%
1979	9.4%
1980	12.7%
1981	7.6%
1982	1.5%
1983	1.7%
1984	6.5%*
1985	8.1%*

*Estimated

Freight cost outlook by mode (Increase over previous year)

Percent increase



Source: Wharton Econometric Forecasts